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A SCHEME FOR NATIONAL PENSIONS

A PAPER READ AT A MEETING OF THE BRITISH
ASSOCIATION, ON SEPTEMBER 17TH, 1889.

BY

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A NATIONAL PENSION FUND.

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RECTOR OF GATESHEAD.

SOME few years ago the publication, by the Rev. Canon Blackley, of an article on the subject of National Insurance attracted a considerable amount of attention, and a Parliamentary Committee was appointed to consider the suggestions he had put forth. That committee, in its report, questioned the soundness of the calculations made by Canon Blackley as to the cost of insurance for sickness and old age,* and expressed their fear lest a National Sick Club would be unable to protect itself from imposture, as it would not have the local and individual supervision necessary to keep in due check fraudulent sickness; but in other respects they admitted the soundness of the principles of his proposal, and expressly stated that the objections they alleged against a sick fund did not apply to the proposal to form a pension fund.

Since this report was published, interest in the subject, which had somewhat flagged, has received a fresh stimulus from the fact that National Insurance has become *un fait accompli* in Germany. A series of measures having this object in view were pressed forward by the great German chancellor and his royal master, who regarded this social legislation as

* Canon Blackley's estimate was that a payment of £10 by the age of 21 would be sufficient to secure 8s. a week sick pay up to 70 years of age, and after that age a pension of 4s. a week. He argued this would be sufficient, because when such insurance was universal many would not claim at all, and he estimated that as the money received could be lent for long terms, the £10 would be increased by compound interest at 4 %. Owing to the fall in interest which has since occurred, 3½ to 3 % would be a safer basis on which to estimate the increase.

necessary to the completion of their political labour for the internal peace and unification of Germany. By these measures, at first ridiculed and opposed, but ultimately carried amid a chorus of almost universal approval, almost every working man and woman in Germany is secured maintenance in sickness, or if disabled by accident, and is insured for funeral benefit; and after the year 1891 will have secured to him a pension when incapacitated by old age. Sufficient time has not yet elapsed to enable us to pronounce an opinion on the working of these measures, the last and most important, which makes provision for old age, having not yet come into operation.

But the fact that such measures have passed into law in a neighbouring nation closely allied to our own in race, and resembling it in its civilisation, naturally makes those interested in the social well-being of our people ask themselves whether somewhat similar measures might not be possible in England, and whether they might not provide a remedy for some of our deepest social difficulties. It is said by some that the two countries are so different that no analogy can be drawn. The Germans, under the pressure of circumstances, have had to submit to a nationally organised military system, and are thus more familiarised with and more ready to submit to bureaucratic government; whereas we, secure in our island home, are more inclined to trust for the solution of our social problems to individual effort and enterprise, and that altogether our lines of social development are individualistic, theirs are socialistic or governmental.

There is some truth in this contention; we do allow considerable scope to individual action, and by so doing we obtain a series of varied experiments, which are of great service, afford a basis for national action, and show what can be done by individual effort, and how far individual effort is insufficient to grapple with any question. We left national education mainly to individual enterprise till 1870, when, convinced that individual enterprise, even when aided by grants from the national exchequer, failed, and would fail, to secure provision being made for all of school age, and, still more, fail to ensure that all parents would discharge their duty and send their children to be educated, we supplemented what individualism accomplished by enforcing a national provision for those individual effort had not reached. I believe this is the true and wise method. After considerable experience of *laissez*

faire we have now arrived at the period in our social development in which we are coming to know what problems individualism cannot solve at all, and what it can only solve imperfectly ; and have arrived at the stage in which our efforts will be directed to supplement individualism by collective and national measures.

Therefore, the first questions which present themselves for our consideration are—How far has individual effort succeeded in making provision for sickness and old age? How far is it likely to succeed? Is what it leaves undone of sufficient magnitude to warrant the establishment of a national system as a supplement to individual effort?

In all the chapters of the history of self-help there are few more interesting and encouraging than the history of the efforts which the wage-earning population of this country have put forth in order to protect themselves from the poverty which sickness and consequent loss of weekly wages occasion, and from the troubles occasioned by debt contracted for funeral expenses. It is a noble history of patient, persistent effort, of obstacles gradually overcome till the great Friendly Society system of the country was created, and step by step brought to its present degree of perfection. It is a history not without a vein of pathos as it tells of failure as well as of success, of well-meant endeavours frustrated by ignorance, unavoidable ignorance of actuarial results, for the Friendly Societies had to grope in the dark, having, before they gathered their own statistics, no data on which to frame sound tables ; of selfish narrowness which refused to avail itself of experience, so that at one time the majority of the members of Friendly Societies belonged to societies or branches which were financially unsound and would in time collapse, and leave their oldest members without the provision they had striven to make just when they most needed it. Even as late as 1889 only one half the societies made returns to the Registrar of Friendly Societies, and of these, presumably the most solvent portion, there were 676 societies, each with an estimated deficiency of over £1000.* Even this, though an argument for a more perfect system of Government inspection and compulsory publication of accounts, does not seem to me to warrant a demand for the substitution of a Government system for these voluntary associations. Individual effort, guided by experience, will overcome these

* *Co-operative Annual* for 1889, p. 420.

evils. Past history shows that by such errors wisdom is acquired, and through such failures success is attained. An important step in the direction of improvement was taken at the last annual Conference of the Oddfellows, when it was decided that those branches or lodges which would not take steps to put themselves in a sound financial position should be expelled from the order.

The following table will enable us to arrive at an approximate estimate of the number of the working classes insured for sickness and funeral benefit. The first five figures are taken from a pamphlet published by the Rev. J. Frome Wilkinson on Mutual, Friendly and Provident Institutions, a reliable authority on the subject:—

| | Members. |
|-----------------------------------------------------------------------------------------------------------------|-----------|
| Affiliated Orders | 2,004,000 |
| Centralised, General, and County Societies | 500,000 |
| Peculiar Trade Societies— | |
| (a) Railway Group | 40,000 |
| (b) Miners' Permanent Relief | 221,000 |
| Women's Societies | 10,000 |
| Small Local Benefit Clubs which are rapidly passing out of existence owing to bad financial arrangements | 750,000 |
| Collecting Friendly Societies— | |
| Royal Liver | 1,211,259 |
| Victoria Legal | 1,003,787 |
| Others | 594,547 |
| | <hr/> |
| | 6,334,593 |
| Deduct from Children insured in the Collecting Societies, say | 1,000,000 |
| | <hr/> |
| Total number of persons secured provision in sickness by insurance | 5,334,593 |

We must add to these the members of Trades Unions, as these associations also provide for sick and funeral benefit. The number of the members of the unions in Mr. Burnett's report for 1888 is 467,334; but as he had not received returns from all the smaller unions, we may place the total at, say 700,000.

— This gives a grand total of 6,034,593. Some deduction must be made for double membership. Large as the figures are, they show that there is an enormous residuum, consisting chiefly of labourers and unskilled workers, who are not

members of any Friendly Society, and there is the whole class of women workers, whom the Friendly Society system has scarcely touched.* It may some day be a question whether it may not be necessary to follow the policy of the Education Act and establish a National Society, which shall supplement the efforts of individualism and compel those who will not join the existing societies to become members of it. It will be noticed that I have not reckoned the members of the Prudential and other similar Collecting Societies, whose total membership is about 7,000,000. I have omitted them advisedly, as these societies do not secure sick benefit, and the formidable total is very largely made of insurances for small amounts on the lives of children. I might say much concerning the costliness of these societies to the working people, spending as they do in working expenses from 5d. to 6d. of every shilling received by them. The point, however, to which I desire to draw attention is that while the working classes have by self-help gone a long way towards making provision for sickness, self-help and individual effort have scarcely touched, the important problem of making provision for old age. Some of the Trades Unions, such as the Amalgamated Engineers, the Boilermakers, and the Miners' Permanent Relief Funds, have superannuation allowances for those of their members who are incapacitated from following their employments. In 1882 the Oddfellows adopted annuity tables whereby members can secure a pension for old age. But very, very few have taken advantage of them. The consequence is that practically the whole working-class, certainly the whole of the unskilled labourers, of this country have, as the prospect before them, as the end of a life of toil, an old age of penury, privation, and dependence on relatives already heavily burdened, or on the rates.

We are so used to this condition of things we hardly realise its enormity. Just let me put it to the members of this assembly. What an awful weight you would feel pressing upon your lives if instead of an honourable old age of rest and retirement and comfort, all you had to look forward to were the certainty of poverty, hardship, and privation, and the probability that the workhouse would be the ultimate end.

* The United Sisters is a Friendly Society for women, which owes its origin to the efforts of the Rev. J. Frome Wilkinson, and was established in 1885. Its central office is in Leeds, and it is steadily making its way among women.

“A blessed prospect—
 To slave while there is strength—in age the workhouse,
 A parish shell at last, and the little bell
 Toll’d hastily for a pauper’s funeral.”

We cannot regard social arrangements which lead to such a condition as the outlook for the mass of the nation as otherwise than unsound and unsatisfactory, and in need of amendment. Hope is the main essential in the happiness of life, and yet we have almost gone so far as to write over the portals of life for the mass of the nation, “Abandon hope.”

It may be said I exaggerate. My own experience leads me to think otherwise. I have parochial experience to go upon, and as master of a charity, whose object is granting pensions to aged men past work, I know much of the history of the later lives of respectable, hard-working men; of their endeavours to eke out their savings; the dread that haunts them lest their lives should outlast their little store; the many misfortunes by which those savings so painfully made get swept away; the cold charity, sometimes of relatives, who, while offering a maintenance, nevertheless let them see and feel that such maintenance is regarded as a burden of which they would gladly be rid.

Bear in mind the difficulty which any working man, especially if he be a labourer averaging only from 12s. to 20s. a-week, has in order to bring up a family and save for his old age. An annuity of 5s. a-week at 65 years of age costs, according to the Post Office tables, £125, 13s. 4d. How many labouring men at 65 have, or reasonably can be expected to have, such a sum standing to their credit.

Competition as it becomes keener gives rise to a tendency to dispense with any whose working power is below the average. Often on the most trivial pretexts men advanced in years find they are not wanted, and once thrown out of work, what difficulty there is in a man past his prime getting any reasonably-paid employment. Many firms like the North Eastern Railway have a standing rule that no man above thirty years of age shall be taken on.

It is somewhat difficult to obtain statistics which give a measure of the extent to which old-age poverty exists.* Not

* An accurate estimate could be obtained if in the census returns a statement was given of the number of persons living over 60, 65, and 70 years of age respectively. These figures, compared with a return of the number of paupers of these ages, would give the percentage of those whose

very long ago Canon Blackley published some figures on the subject, which led him to form the estimate that 45 per cent. of all persons, rich included, in England who reach the age of 60 years are obliged to become recipients of poor relief.

It may be objected that as these figures were obtained only from a few country parishes, therefore the basis of induction is too narrow to apply it to the whole country. Yet if a return of the number of persons over 60 years of age were obtained I fear the total would be formidable. It must also be borne in mind that much penury and deprivation is endured before resort is made to that last refuge of the destitute—the poor law.

A strong corroboration of the probability of Blackley's induction being near the truth is found in the fact that in 1879, out of the total number of deaths in England one out of every fifteen occurred in a workhouse, while in London one in nine was in a workhouse.

That about one-half of all those in this country who reach the age of 60 should be driven to seek assistance from the degrading charity of the poor law is an awful, heart-burning thought. Some have said that after all the evil is not of such magnitude as it seems, because comparatively few members of the working-class live to an advanced age. This is a mistake—a mistake which has, I believe, a great deal to do with the unwillingness of young men to subscribe to the pension fund of the Friendly Societies. They consider the probability of their reaching 65—the age at which the pension begins—to be small, and therefore they do not think it worth their while to pay a weekly contribution for a remote benefit which it is doubtful if they will obtain.

As a matter of fact, the probability is great, as the following experience of working-class lives, taken from the tables of the Oddfellows, shows:—Of 100 alive at 21, 59.47 per cent. reach 60, 49.19 reach 65, 37.59 reach 70, and 24.92 reach 75. The experience of the Foresters does not differ materially from that of the Oddfellows. It will be seen from this that the number who do reach an age when their working powers are impaired by the infirmities of advancing years is

poverty is so great as to compel them to have recourse to the poor law. This would not give a complete measure of old-age poverty, because great privation is undergone before application is made for poor relief. If the census gave the information desired, a reliable calculation could be made as to the cost of a National Pension Fund.

very considerable, amounting to as near as possible one-half (49.1) of the able-bodied who attain to manhood. It would be an inestimable boon if at the age of 65 every man was secured, just when his powers were failing, an allowance of say £1 a month—enough to free him from anxiety as to how he might exist during the rest of his days, and be sufficient to prevent his becoming a burden on children or grandchildren, themselves none too well able to support a non-earning member of the household. Such an annuity would at 65 represent a capitalised value of £116. We have therefore to face the question as to whether there is any possibility of the mass of the weekly wage earning classes saving an amount sufficient to secure such an annuity.

Here let me draw your attention to the following table, which represents the cost of an annuity of £12 a year at 65 years of age, purchased at the ages mentioned in the first column, and reckoned on the basis of interest at 3 per cent.

| Age. | Single Payment. £ | | Annual Payment. £ s. d. | | Weekly Pence. |
|----------|-------------------------|-------|-------------------------------|-------|------------------|
| 18 | 12.04 | ..... | 0 11 5 | ..... | 2.63 |
| 21 | 13.38 | ..... | 0 13 2 | ..... | 3.04 |
| 25 | 15.45 | ..... | 0 16 0 | ..... | 3.69 |
| 30 | 17.62 | ..... | 1 0 10 | ..... | 4.81 |
| 35 | 22.52 | ..... | 1 7 9 | ..... | 6.40 |
| 40 | 27.46 | ..... | 1 18 2 | ..... | 8.81* |

The amount, which seemed so formidable when stated as the price of an annuity purchased at 65, does not appear at all impracticable when stated as a weekly payment of $2\frac{1}{2}$ d. from the age 18, or 3d. from the age of 21.

It would not be difficult to arrange for a deduction being made of 3d. per week on and after a certain date from the wages of all persons who on that date were over 21 and under 22 years of age; and in due course old-age pauperism would disappear, and the burden imposed would not be beyond the power of the weekly wage earners to bear. The money so deducted would have to be paid into the hands of National Pension Fund Commissioners, and all those who had such deduction from their wages made would be entitled, on attaining the age of 65, to a pension of £1 a month, and would have the security of the national honour and credit that

* This table is based upon one drawn up by Mr. Reuben Watson for the guidance of the M.U. Oddfellows.

the contract which they had entered, and which did not mature for 44 years, would be kept.* Security for the fulfilment of contracts at long distant dates is essential to any pension scheme, and nothing less than a national guarantee can give it absolutely.

But there is a great difficulty in connection with weekly payments which extend over life—viz., that it would be impossible to exact them when men were out of work owing to slackness of trade, sickness, or other cause; and when they returned to work the accumulated arrears might be a burden too heavy to bear.† It would render the working of a National Pension Fund much less complicated and expensive if the contributions required were all paid in the first years of working life, and there are several cogent reasons why the payments should be made early in life. The capital sum required increases rapidly as age advances. A payment of from £12 to £13 in early manhood will, owing to the cumulative power of compound interest, secure a benefit which would require £27 10s. at 40, and £116 at 65.

Also—and the consideration is one of very great importance—weekly wage earners are better able to bear a deduction from wages in the early years of their working life. If unskilled labourers, they are in receipt of as large a weekly income as they ever expect to earn at 18 or thereabouts; if artisans, soon after being out of their time, at 21 or thereabouts. While young they suffer less from loss of time through sickness, the testimony of all Friendly Society statistics being to the effect that the average of sickness increases with age. Also in times of depression the young suffer least, for the most active and able-bodied are retained, and those old and less efficient find themselves not wanted. Moreover, at that age the weekly wage earner has only himself to keep, or if married the burden of the family is not as great as it afterwards becomes.

* It is impossible in a short paper such as this to sketch out the details for the working of such a Pension Fund, and discuss whether, as in Germany, it should be grafted on to the Post Office system or be a separate and independent organisation. Nor is it necessary at present to formulate details. If the principles set forth be admitted, the formulating a scheme for carrying into effect is not a task beyond the power of statesmen to undertake.

† In Germany, where National Insurance covers sickness as well as old age, no payment is required towards the Pension Fund during periods of sickness; but arrears due to being unemployed have to be paid up when work is obtained.

A payment of 1s. 8d. a week for three years, from the age of 18 to 21, or 1s. 9d. from 21 to 24, would secure an annuity of £1 per month, or 4s. 8d. per week, after 65, if we calculate interest at the rate of 3 per cent., and assume that every person who survives to the age of 65 claims his annuity.

Would this be a burden too heavy to be borne by weekly wage earners? The sacrifice demanded in the years of youth and strength is not out of proportion to the benefit secured—the comfort of knowing all through life that provision had been made which would secure old age from absolute destitution.

The burden could be borne by all, or almost all, male workers. But it would be more than could be imposed on women, considering the low rates of their remuneration. Ought the whole of the burden to be imposed on the wage earners?

In Germany the burden is divided into three—one-third is paid by the workman, one-third by the employer, and one-third by the State. This last must itself be a deduction from rent and interest or wages, as the revenues of the State are derived from taxes paid by employer, employed, or both.

In Denmark a number of Poor Law Unions have banded together to form a Provident Fund, with the view of meeting the difficulty of Old-Age Pauperism. Any workman whose wages do not exceed the equivalent of $2\frac{1}{2}$ bushels of corn may become a depositor, and if he continues to pay his contributions up to the age of 60, the Union doubles the amount standing to his credit, and commutes the total for a pension. It is now proposed that the Union give 25 per cent., and the Central Government 75 per cent., to make up the 100 per cent. added to the contribution of the workman.

There is much to be said in favour of dividing the burden. At present the majority of the working population who are incapacitated from work by the infirmities of age are supported by contributions levied on property to the extent of several millions per annum.* If all down to the very poorest are compelled to make provision for their own old age, property will be relieved of a burden it now bears, and the burden transferred to those least able to bear it.

There would be nothing illogical in the nation saying every man ought to make provision for his maintenance during that

* It is impossible to separate from the Poor Law Statistics the cost of the relief of those over 65 years of age.

period of life in which the infirmities of old age will probably prevent his doing so. It is a duty each man owes to himself, and a duty each man owes his neighbour; but as a very large proportion are during life so poorly paid, instead of asking all to pay 1s. 8d. a week for three years between the ages of 18 and 20, we will only require that they should pay half that sum, and we will give to them a pension of 4s. 8d. a week from the age of 65. Half the cost of the maintenance of people in their old age may fairly be borne by the national exchequer*—*i.e.*, by the strong, healthy, and wealthy. There would be no unfairness in this. A man would pay 10d. a week from 18 years of age to 21†; from 21 to 65 he would contribute his proportion to the general taxation, and therefore his proportion of the maintenance of those incapacitated by old age, so when he in his turn became a pensioner he would receive the value of the annuity he had purchased, and an equivalent for the contribution he had paid out of his earnings to taxation for the benefit of aged persons. This would merely be an adoption by the nation of the principle of the family—*viz.*, that the younger and able-bodied help to supply those past work with the necessaries and some of the comforts of life, they in their turn to be assisted by their children.

Such a system would be fair, because in so far as the rich contribute more than the poor to the taxation of the country, they would, as justice demands they should, be the largest contributors to the support of old age. The receivers of rent and interest, as well as the recipients of wages, would each in due proportion assist in bearing the burden of old age.

Questions concerning the method by which contributions to the Pension Fund should be levied and payments should be made I must, for want of time, omit from this paper.

* The actual amount needed from taxation would probably be less than one-half the cost, as a large number entitled to claim a pension would not do so—*viz.*, the well-to-do, and those who leave the country. Moreover, the National Fund Commissioners would probably be able to obtain a slightly higher rate of interest than that on which the calculation is based. The terms of the Public Works Loan Commissioners are—

3½ per cent. on Loans not exceeding 35 years.

3¼ ,, ,, ,, 40 ,,

4 ,, ,, ,, 50 ,,

† In the case of apprentices and others, the age at which they commence payment should correspond with the age at which they begin to earn the full rate of remuneration of their occupation, and be proportionately increased:—*e.g.*, for artisans that would be 21; for curates 23 or 24.

They are questions of detail; I have only time for the principle.

One question and one objection I must however touch upon. The question is—Do you propose that only wage-earners whose wages are not beyond a certain limit shall be entitled to be recipients of the benefits of this fund? No. Every one, from peer to plough-boy, should be required to pay in his contribution to the National Pension Fund. The nation has no security that a man who is rich at 21 will not be a pauper at 65; and therefore the nation may fairly say, that as we guarantee a pension at 65, which will secure you against absolute privation, we will require you to contribute £6, 10s. in the days of your youth and strength, when you are best able to pay, so that, should poverty overtake you, that amount of provision for your old age shall have been made by you. You must do as much as we compel the poorest toiler to do. The objection is—As the pension is greater than the annuity which the contribution alone would purchase, and comes in part from general taxation, the system would be pauperising. Not so. There is nothing pauperising in receiving a pension at the end of working life. If there were, our civil servants, and not a few of our nobility, would be in a condition of great demoralisation. The demoralising element in poor relief is the exacting proof of destitution, the inquisition into character, and the demand of the recipient that he should be treated as on a different footing from others. A man would claim his pension as a right, not as an act of sufferance. That would make all the difference. We do not find the payment of a large proportion of the cost of Education out of the general taxation of the country demoralising and degrading, and we should not find a National Pension Fund, aided by a contribution from the National Revenue, one whit more pauperising.

Nor can it be said such a fund would encourage idleness and the desire to be supported by the labours of others, for during the years in which a man possesses full working powers no claim could be made. In fact, it would enable us to administer the Poor Law with greater rigidity, as it would justify treating with severity those who had deliberately succeeded in evading the nationally-imposed obligation of providing for their old age at a time of life when they could most readily do so. Nor would it interfere with self-help, as voluntary agencies would be left free to make provision for adding to the minimum amount demanded by the requirements of the

National Fund. The burden of superannuation which now presses so heavily on the funds of Trades Unions and other agencies would be lightened, as part would be borne by the National Fund; and the contributions, having been levied early in life, would leave the powers of wage-earners to pay adequate contributions to Trades Unions and Friendly Societies unimpaired.

Whatever may be thought of the suggestions made in this paper—of this I am convinced, that there are few measures, if any, within the range of practical politics which would conduce so effectively to the amelioration of the condition of our weekly-wage earning class, which forms the great bulk of the nation, as a well-considered National Pension Fund, which would relieve them from the dread of an old age of privation and misery, and secure the certainty of at least a maintenance when the powers of earning wages become impaired.

The indirect benefits arising from the establishment of a National Pension Fund, to which all were compelled to contribute, would be of great importance. Not least of these would be its probable effect on Matrimony and the increase of population. As I pointed out in a lecture previously published—"Throughout the working classes, the rate of wages being practically the same all through the years of their working life, it is actually a matter of prudence, from the point of view of an individual wage-earner, that he should marry early, so that he may not have the burden of a family in the later years of his life, when, owing to sickness and liability to be thrown out of employment, his ability to support a family is less. As far as I am aware, in the whole history of man there has not been a nation in which it has been absolutely advantageous to the poorest section to marry as early as possible until the last century. The increase of a thousand mouths a day to our population is a very grave matter, which is the main cause of that which is unsatisfactory in the economic position of our wage-earning population. Any legislative restrictions on matrimony would produce even worse evils. What is wanted is an influence which, while leaving the freedom of action of individuals unfettered, will alter the balance of motive. Such an influence National Insurance, on the system I have described, would supply; for there being a substantial deduction from wages till the contribution to the National Club was completed, you would at once bring a very powerful motive to bear on the wage-earning classes to defer entering upon matrimony till their contribution was paid up. I don't mean to say that you would be able to point to this or that particular case, but it would be a powerful influence operating on a large portion of the population, which would make itself felt, and somewhat limit our present too rapid rate of increase.'



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